Summary Table 1

International Lending and Earnings*

Changes in International Lending and Earnings in Relation to Total Lending and Earnings

All Respondents (percent)

	Past Five Years		Next Five Years	
	Lending	Earnings	Lending	Earnings
"Substantial" increase	46	42	22	22
"Some" increase	33	36	54	54
	79	78	76	76

* Percentages have been adjusted to exclude non-respondents.
Derived from table 6 in Statistical Section.

In addition to average spreads on loans, the most profitable aspect of international lending is other banking business kept or gained with the borrower and third parties (19). In this respect, there was no significant difference between the answers of all respondents and those of the world's 100 biggest banks among them.

Summary Table 2

Profit Factors Ranked

(Factors in Addition to Average Spreads)

All Respondents (percent)

	"Very Important"
Other business with borrower	47
Ditto with third parties	12
	59
Fees	57
Cost of funds below Libor	24

Total do not add to 100 because banks listed several factors as "very important."
Derived from Table 19 in Statistical Section.

Spreads

Nearly 80 percent of all respondents singled out supply and demand as the most important influence on international lending spreads (17). The second most important influence cited was aggressive pricing by lenders seeking to enter new markets, as one of the manifestations of supply and demand. However, aggressive pricing by banks enjoying special regulatory advantages was also mentioned as an influence on spreads and, while the first two influences mentioned above result from the operation of market forces, the third reflects a distortion of those forces.

It follows logically that in their answers to Question 18, bankers were almost unanimous in saying that lending spreads could be improved only by changes in the demand for and supply of funds. The consensus was that a change in supply and demand could be brought about either by changes in world economic trends or, less happily, by some political or economic upset. A minority of respondents suggested that the imposition of higher capital and liquidity ratios on a harmonized basis might help force lenders to seek higher margins, but were skeptical that this could be achieved. One bank asked, "Why interfere with well functioning markets?" and another simply dismissed the notion of spreads at any level as being "too narrow."

International Lending Risks

More than 40 percent of all respondents think international lending risks will increase "substantially" in the next five years compared with about 25 percent who said they had increased "substantially" in the past five years. However, the world's biggest banks are somewhat more optimistic and North American banks considerably more so (6).

Default by a major borrowing country, large numbers and amounts of reschedulings, foreign exchange losses and mismatching of maturities and currencies were listed in that order as the most important threats to banks. Defaults, reschedulings, funding problems and abrupt government action, like new controls, were listed as the most important threats to the system (7).

On average, 25 percent of the respondents described these threats to the individual bank as "serious." The others described them as "moderate" or "minor" threats. Threats to the system (among those listed in this question) were described as "serious" by a smaller proportion of banks.

Country Risk Assessment

More than 90 percent of the respondents said they had increased resources dedicated to country risk analysis in recent years. Most of them said they had done so by concentrating risk analysis at headquarters,

Summary Table 3

Lending Risks in Five Years to 1986 (percent)

	All Respondents	Biggest Banks	North America	Europe	Other†
"Substantial" increase	41	39	24	47	44
"Modest" increase	49	56	55	46	56
No change or decrease	10	5	21	7	0

Derived from Table 6 in Statistical Section.
† Asia, Latin America and the Middle East

Summary Table 4

Threats Ranked

Respondents (percent)

"Serious" Threats* to:	Banks	The System
Default by major country	33	16
Large reschedulings	28	18
Forex losses	23	2
Maturity mismatching	22	5
Unavailability of interbank funds	20	13

* These threats were described as "moderate" or "minor" by the other respondents.
Derived from Table 7 in Statistical Section.

recruiting specialist staff and consultants, by gathering more data and by trying to analyze information in a more sophisticated way (22).

A majority of respondents said that their analysis of political and social conditions carried the greatest weight in their assessment of country risk, followed by quantitative analysis of economic data. Key economic forecasts carry less weight (31). The priority given to political analysis is recent at many banks following the experience of Iran, Poland and other countries.

The most important fact emerging from answers to Question 32 (and

also Questions 26 and 49) is that banks prefer to rely on themselves in gathering information and forming their views. Analyses of economic, social and political trends prepared by the banks' own staffs were cited as the most important aspect of risk assessment by more than 75 percent of all respondents, and reports by bank staff residing in or visiting foreign countries were listed next. Less importance was attached to the analyses of international institutions, the assessments of other banks and reports from outside consultants.

Summary Table 5

Factors of Country Risk

Factors* Ranked as "Very Important"	By Percent of All Respondents†
Political and social conditions	83
Economic data	80
Judgment of country specialists	64
Key economic forecasts	51
Involvement of other banks	15

† Percentages do not add to 100 because banks listed several factors.

* Factors above were described as "moderately" important or "not important" by other respondents.

Derived from Table 31 in Statistical Section.

The point is driven home in answers to Question 26: nearly 90 percent of all respondents said they think it inappropriate for banks to rely on country risk assessments by other banks instead of their own, although more than a third of the smaller banks questioned took the opposite view.

Decisions on country limits are centralized at almost three-quarters of all respondent banks (29). Such limits are set both by amount and maturity by more than two-thirds of North American and European banks in the sample (30). However, less than half of the respondents from other regions set maturity limits and a majority of all respondents do not have separate limits for classes of borrowers within the overall country limits they have established for themselves (30).

Summary Table 6

Maturity Limits

Banks Which Set Maturity as Well as Country Limits*

Percent of:	All Respondents	North America	Europe	Other†
	63	68	67	44

* These are banks that set country lending limits by amount but also decide that only a part of the total shall be lent at, typically, more than one year.

† Asia, Latin America and Middle East.

Derived from Table 30 in Statistical Section.

Confinancing

Political pressures and the lender's trap are two factors that can affect lending decisions — possibly inducing banks to exceed country lending limits they have set themselves. About 75 percent of all respondents say they do not believe such pressures have significantly affected foreign lending by their own countries' banks; which nevertheless leaves a reasonable minority that believes the opposite (23). Similarly, about three-quarters of all respondents believe that the weight of outstanding loans and commitments have not influenced banks to extend still further credits beyond levels of normal prudence (24a). Nor do most of them think that this might become a serious danger in future (24b).

However, while banks prefer to rely heavily on their own judgment (32) and are not unduly troubled by pressures that might override their judgment (24), most of them would welcome some forms of official help or cooperation. That emerges by implication from the answers to Question 33. A majority believes that confinancings with official institutions, an IMF country-rating system and credit insurance schemes might be helpful, in that order, in reducing the system's risks.

Maturity mismatching in the bank loan market

More than 20 percent of the banks surveyed cited maturity mismatching as a possibly "significant" threat to banks (7). However, their answers to subsequent questions do not make wholly clear the extent to which they themselves have taken new precautions against such a threat. A partial explanation may be the tendency to attribute imprudence to other banks rather than one's own.

More than half the banks polled said that the greater volatility of interest and exchange rates had *not* caused them to change their maturity (gapping) and currency mismatching practices in the Euromarkets (37). Two banks said they had not changed because they had always matched currencies and maturities. Most of the others offered no explanation. Those banks which said they had changed their practices were more forthcoming. Among the changes listed were the imposition of new limits on open positions; increased recourse to floating rate instruments on both the asset and liability side; a "significant" reduction in interbank placements; and more stringent controls generally. The latter may be partly reflected in the fact that more than 90 percent of all respondents control or monitor funding operations from their head offices (38).

Respondents were almost unanimous in saying that a relatively cautious funding approach is appropriate for smaller banks and newcomers to the market, but a majority even of smaller banks added that their practices were in fact no different from those of bigger banks (40). However, as one respondent noted, this did not necessarily mean that smaller banks are "less prudent" than bigger ones.

Asked to rate the performance of central banks in monitoring mismatching about one-half of all respondents viewed it as excellent or good leaving another half which called it no better than fair or poor, or gave no answer.

Summary Table 7

Monitoring Maturity Mismatching

Supervisors' Performance in Monitoring Mismatching
Respondents (percent)

Performance	North America	Europe	Others	All
Excellent/good	54	47	44	47
Fair/poor/no view	46	53	56	53

Derived from Table 39 in Statistical Section

Geographic Deposit Concentration

More than 60 percent of all respondents monitor geographic concentration of deposits, and 25 percent have sometimes turned away large deposits, to avoid excessive geographic concentration (41 and 42).

To monitor the geographic concentration of deposits is not the same

as being troubled by such concentration. "We monitor, but do not attempt to control" was the comment of one bank.

Many banks interviewed said that geographic concentration did not in fact worry them. This is particularly true of large banks, to which geographically concentrated deposits tend to flow. That is why a larger proportion of bigger than smaller banks monitor such concentrations.

An attitude emerging from written comments and interviews is that many banks are not troubled by geographic concentration of deposits as such. They are concerned either when they believe such deposits may be unduly volatile or when offered large deposits (from any source) for which they do not have immediate, profitable employment.

The refusal of large deposits is either by price or by a frank explanation of the reasons. On impressionistic evidence, the latter approach is becoming more common because it helps to maintain relations with the prospective depositor over the longer term. Some banks admit, however, that they sometimes accept unwanted deposits "reluctantly" for the sake of not disturbing customer relations. The attitude of banks is mirrored by that of supervisors; almost two-thirds of all respondents said their home supervisors do not monitor geographic deposit concentrations, although the degree of such monitoring is higher in North America than elsewhere (43).

Rescheduling

More than half of the respondents think the indirect costs of reschedulings could become a "significant" concern in the future (36). Answering another question, more than half said they are unsure whether existing rescheduling arrangements would be able to tide over the system in the event of more frequent and larger reschedulings; 17 percent think present arrangements would not suffice; nearly 30 percent think that they would prove adequate (34).

Only a minority of bankers have changed their policies and practices on the experience of rescheduling so far (35). Most of these have done so by exercising greater care about new lending. None, in written comments and interviews, reported any significant changes in the procedures they adopt in reschedulings. Indeed, many banks expressed a preference for the present *ad hoc* approach because in their view reschedulings vary greatly, case by case.

A large European bank said it preferred the existing untidiness which allowed it to move ahead of its rivals to recoup as much as possible at the first hint of difficulties in a borrowing country. "Our duty to our depositors and shareholders comes first" it said. The admission was unique, although the practice may not be. However, consideration for the continuity of relations between banks suggests limits to the spread of this approach.

2. INTERNATIONAL INTERBANK MARKET (EUROMARKET)

A series of questions concentrated on the international interbank market, which banks use extensively to help fund their medium- and longer-term cross-border lending.

The extremely active nature of the international interbank or Euromarket is shown by the fact that half of all banks surveyed normally redeposit with other banks more than 40 percent of the funds they have obtained in the market (44). The proportion varies from almost 60 percent at the world's 100 biggest banks among the respondents to 40 percent at the "medium sized" (ranked from 251 to 500 in the world league). But it is higher at the smaller banks in the sample (those outside the world's top 500), suggesting that some of these trade very actively in relation to their size. Although banks were asked what proportion of funds taken they *normally* redeposit in the market, several pointed out that the position fluctuates considerably. To that extent the answers in Table 44 and the summary table below represent a snapshot of a moment in time, towards the end of 1981.

Summary Table 8

Interbank Activity

Proportion of Interbank Funds Normally Redeposited
Respondents (percent)

	Largest	Large	Midsized	Smaller	All
Redeposits of 40 percent upwards	59	46	41	50	51
Redeposits of 60 percent upwards	26	25	22	36	26

Derived from Table 44 in the Statistical Section.

In spite of very active interbank trading, less than 10 percent of respondents think it "excessive" for the system. Nearly half said that it is not and about a third said that it is or may be "excessive" at some banks (45). The

response to this question, at 68 percent, was the lowest to any of the questions asked, which may be explained by the comment of some banks that they could not define "excessive" and that there were no data from which the extent of "excessive" trading could be determined, however defined.

Summary Table 9

Is Interbank Trading "Excessive"?

Respondents (percent)*

Yes for System	No for System	Yes for Some Banks	No View
9	48	31	12

* 68% response.
Derived from Table 45 in Statistical Section.

Among those that said trading was not excessive, one bank commented, "Interbank trading provides liquidity and is a healthy facility for the advancement of world trade and commerce." Another comment was that the interbank market provides "a necessary facility for liquidity and maturity matching." The opposite view was put by a bank which said, "Interbank activity has expanded to levels which now represent considerable potential risks." Most of those respondents who said that there was over-trading at some banks alleged that this tended to occur at smaller banks and at some consortium banks. However, they pointed out that consortium banks could to some extent rely on the resources of their parents as well as their own.

Interbank Credit Rating and Limits

Nearly all banks say they set overall and daily limits on interbank placements (47). In most cases, limits are set on an evaluation of the bank with which funds are placed and that bank's country of origin (47).

When assessing the creditworthiness of other banks in the interbank market, banks prefer to rely on themselves (49) just as they do in assessing country risk (32 and 26). The answers to Question 49 show that in assessing other banks, banks rely mainly on financial analyses prepared by their own staffs and on reports from their own staff who have visited the bank being evaluated. Far less importance is attached to advice from correspondent banks except, understandably, in the case of smaller banks with their limited resources. Reports from outside services are not regarded as very important by any group of banks in this survey.

Nearly all banks say that consideration of country risk plays a "significant role" in influencing decisions on interbank placements and two-thirds evaluate the willingness and capacity of foreign banks' authorities to support those banks in adversity (50).

Official monitoring of interbank activity is most widespread in the North American region, but less so in other regions covered, namely Europe, Asia, Latin America and the Middle East (51).

Most banks have lists of other banks with whom they are prepared to deal in the interbank market (48). The lists are described as "short" by some banks, but are "comprehensive" at others, including one bank which says that it deals with about 700 other banks. Nearly all respondents say that they regularly review both the lists of banks with which they deal and also the limits set for each bank. Some banks confine their dealings mainly to the world's biggest banks and banks in countries with negligible political risk (mostly OECD countries). One bank having this approach says that deposits placed with banks in other countries are treated as "lending" and examined within country limits. Another bank said it evaluates all its interbank placements as "loans." Approaches vary in detail. One bank said it placed interbank funds only with banks with which lines of credit had been formally established. Some said that while confining themselves to the largest and most highly regarded banks, they made "numerous" exceptions, and one bank said simply "We deal with those we trust."

3. BANKING SUPERVISION

A large part of the questionnaire was devoted to bank supervision. Some of the answers are quite striking.

Banks were asked whether the supervision of international lending is more or less burdensome in their own countries than in the countries of their principal competitors (8). Here is a distribution of replies:

Summary Table 10

	Burden of Supervision			
	All	North America	Europe	Other
More burdensome	33	50	29	28
Roughly the same	47	36	56	39
Less burdensome	20	14	15	33

99% response
Derived from Table 8 in the Statistical Section.

It is perhaps scarcely surprising that bankers tend to feel that the supervision applied to them is often more burdensome than that applied to their competitors. What is striking is the extent to which North American bankers feel discriminated against in this sense, and the extent to which bankers from outside North America and Europe acknowledge the less burdensome nature of their home supervisory requirements. Further analysis revealed that, among individual countries, U.K. banks tended to regard their supervision as "less burdensome"; Japanese banks regarded their supervision as "more burdensome", as did U.S. banks.

A large majority of all groups of banks thought that differences in regulatory requirements were important compared to other factors affecting banks' relative competitive advantages (10). U.S. banks seemed to feel more strongly than most others about this. U.K. banks, by contrast, did not in general feel regulatory differences to be very important.

Asked whether they believed that regulatory advantages enjoyed by certain banks create distortions that tend to impair the ability of "banks in general" to earn an appropriate return on international lending, again most banks from both North America and Europe said that they did and most "other" banks said that they did not (11), presumably because the latter felt they were able to make an "appropriate" return whilst enjoying regulatory advantages.

Turning to particular regulations, the banks were asked to score a number of techniques used in supervision and regulation (9):

> "In what specific respects do you believe that your bank benefits or loses in international lending competition because of regulatory and supervisory differences among countries?".

The answers throw light on the perceived differences in the burden of supervision revealed in the answers summarized above.

Overall, capital requirements were mentioned most often in imposing a competitive disadvantage. Complaints on this score were concentrated in North America and Europe (57 percent and 54 percent of the respondents respectively mentioning it as a factor). North American banks also mentioned loan size requirements (55 percent) and especially restrictions on permissible activities (78 percent) as disadvantages. These are the three main factors (among those listed) accounting for the feeling of "discrimination" among North American bankers noted above. Among European bankers, no factor other than capital requirements was mentioned by more than 50 percent of respondents. Among "other" bankers, restrictions on loan size and requirements for approval of specific transactions were mentioned as disadvantages by half the respondents.

Among the competitive advantages, North American banks cited (the

Prudential requirements and competitive advantage

Summary Table 11

	Country Analysis						
Requirement:	**U.S.**	**Canada**	**U.K.**	**France**	**Ger.**	**Switz.**	**Japan**
Capital requirements	Disadvantage			Advantage	Disadvantage	Disadvantage	Advantage
Reserve requirements				Advantage	Disadvantage		
Liquidity requirements		Disadvantage			Disadvantage	Disadvantage	Disadvantage
Loan size limitations	Disadvantage	Advantage	Advantage	Advantage	Advantage		Disadvantage
Country exposure limits	Disadvantage		Advantage	Advantage	Advantage	Advantage	
Reporting requirements							Disadvantage
Requirements for approval of specific transactions	Advantage	Advantage	Advantage				Disadvantage
Restrictions on permissible scope of activities	Disadvantage	Advantage	Advantage			Advantage	Disadvantage
Foreign exchange restrictions	Advantage	Advantage	Disadvantage			Advantage	
Credit controls		Advantage	Advantage			Advantage	

* Note: The classification of a particular requirement as an 'advantage' or 'disadvantage' does not imply that all respondents from the country in question replied similarly but only that a clear majority answered in the manner indicated. If there was no clear majority, no answer is recorded. Classification of a particular requirement as an "advantage" implies that no such requirement exists in the country or that its effect is comparatively less burdensome.

lack of) foreign exchange or credit controls, and requirements for approval of specific transactions. Among the advantages cited by non-American bankers, the most frequently mentioned was (the absence of) country exposure limits.

As further breakdown of the results from seven leading countries is shown in summary Table 11.

Asked whether they believed that their home country supervisors should be more sensitive to the international competitive implications of their actions and requirements on the banks they regulate, 66 percent of North American respondents but only 36 percent of Europeans and 47 percent of "other" banks replied in the affirmative (13).

In the interviews and comments, banks tended to be critical of supervisory practices. One criticized the U.S. authorities' "insistence on applying U.S. laws and regulatory standards in other countries." Another bank mentioned supervisory advantages enjoyed by foreign banks operating in the United States. Several North American banks stated that supervisors need to become more familiar with the complexities of international banking. Other U.S. banks complained that supervisors occasionally neglect the essentials by excessive concentration on minutiae. One U.S. bank went even further, saying that U.S. supervisors suffered a "knowledge gap."

Of the European bankers who complained that their supervisors did not make enough allowance for the subtleties of international banking, several, like their North American counterparts, complained of discriminatory regulations as well as antiquated requirements that do not allow for the increased importance of international banking.

Of the bankers from other regions who commented, many also complained of discrimination and a general lack of understanding by supervisors of the international banking environment. One Japanese banker called strongly not for more "sensitive intervention" but for "deregulation" (13).

In view of these comments, it is not surprising that a clear majority of North American banks, and a large minority of European and other banks, say that some burdensome regulations could be "modified, reduced, or eliminated" without seriously affecting prudential objectives (12). Interestingly, however, no British or French bank agreed.

Japanese, German and U.S. banks amplified their answer to question 12 to a greater extent than other respondents. Japanese banks mentioned factors such as: reporting requirements, and restrictions on Japanese participation in syndicated loans, on the securities business of overseas subsidiaries, and on the issuance of foreign currency bonds. Some German banks wanted the elimination of reserve requirements for non-resident deposits used to fund international loans, or a modification which would

reduce the requirement to the excess of foreign liabilities over foreign assets. One German bank complained of rigorous, "perfectionist" reporting requirements. A Swiss bank specified a slight reduction in capital ratios, to the "effective British levels."

About 60 percent of North America bankers saw changes which could be made feasibly, and the overwhelming majority of these were headquartered in the United States. Among those regulations which they said could be reduced or eliminated were: the Foreign Corrupt Practices Act, recording requirements for certain investments, limitations on the ability to invest in non-banking entities and on underwriting activities, the ban on interstate banking, and "reserve requirements, capital requirements and boycott requirements."

In response to question 14, about 40 percent of all bankers said that there were supervisory changes either proposed (or recently enacted) which would (or did) affect their competitive position. Of the banks which answered yes, the North Americans seem more favorably disposed to the new changes. U.S. bankers mentioned the establishment of international banking facilities in New York and the proposed increases in the allowances for bankers acceptances. Canadian bankers commented on the recent revision of their bank act which allows foreign banks to open branches in Canada and should, in their judgment, allow Canadian banks to enter markets previously closed to them. Japanese banks were pleased by the recent liberalization of foreign exchange restrictions.

European bankers, however, tended to be less approving of recent (or upcoming) changes. German banks specified the proposed law which would require them to consolidate balance sheets and supervision of branches abroad, a change that would affect international lending operations through their subsidiaries in Luxembourg. U.K. banks mentioned proposed changes in liquidity and reserve requirements. Swiss bankers also commented on recent increases in reserve requirements. Consortium banks headquartered in London mentioned tighter control and greater supervision by the Bank of England regarding capital requirements and tougher foreign exchange limits.

In response to question 16 regarding desired changes in the international supervisory and regulatory environment nearly three fourths of all bankers called for more harmonization, two fifths wanted less supervision and about one third wanted to eliminate requirements which discriminated against international business. A majority of bankers from the United Kingdom, Germany and Switzerland wanted to see more harmonization. A significant minority of German bankers wanted to eliminate discriminatory requirements. Very few bankers from these European countries wanted to see less supervision.

The bankers from other regions were evenly divided between harmonization and less supervision, but Japanese bankers opted for less supervision.

Almost 70 percent of North American bankers and 90 percent of US bankers desired more "harmonization." Only 40 percent of North American bankers mentioned less supervision, but all of these were from the United States. Many U.S. banks called for the elimination of discriminatory requirements (16).

After all these comments, it is perhaps surprising to find that 60 percent of bankers believe that "supervisory and regulatory actions taken by (their) national authorities provide an effective, constructive influence on (their) bank's management of international banking risks" (15). But that leaves 40 percent who took the opposite view. U.S. banks split down the middle on this question. The most negative replies were those made by Swiss banks. Again, a majority say that their home supervisor's activity in country risk analysis, and monitoring country exposure is "constructive". However, it may be more significant that a large minority of bankers — roughly one third — said that supervisors' activities in these respects were ineffective or "not applicable."

4. WHEN SHOULD AUTHORITIES SUPPORT?

One of the most striking findings of this survey emerges from answers to Question 20. Nearly 80 percent of all respondents believe the authorities should provide support in the event of a liquidity but not a solvency crisis. At the same time, about 60 percent believe it is not feasible to distinguish between the two in an emergency. This doubt undermines one of the most important assumptions on which national banking systems have traditionally functioned and on which the international system is presumed indirectly to rest. In theory and usually in practice, central banks feel no obligations to save an individual bank, but they do have a duty to provide sufficient liquidity to tide over the system as a whole in the event of the failure or one bank or a group of banks. That implies by definition that the authorities are able to distinguish between a solvency and liquidity crisis. It is therefore very important for the authorities to know that a majority of leading international banks do not believe they have that ability in present circumstances.

Summary Table 12

Should the Authorities Support?

All Respondents (percent)

	In a liquidity but not solvency crisis?	Is it feasible to distinguish between the two?
Yes	79	41
No	21	59

Derived from Table 20 in the Statistical Section

The respondents' wish for greater safeguards emerges also from the answers to Question 21. More than 60 percent believe that under present arrangements, the international banking system would be vulnerable to a chain collapse in a crisis involving a major bank or a group of banks. Banks responding in their way included 73 percent of German banks and 70 percent of U.K. banks but only 45 percent of U.S. banks. In that context it is not surprising that almost three-quarters of the respondents believe there is a need for clearer understanding about lender of last resort facilities in the international market (21). Again, this included 80 percent of U.K. banks, 60 percent of Japanese banks and 55 percent of German banks; 77 percent of U.S. banks also took their view.

Almost half of the respondents believe that an international "safety net" organized by international banks themselves might be helpful for supporting individual banks in a liquidity crisis (and thus helping to contain such a crisis). The Swiss and Japanese banks were in strong agreement; U.K. and U.S. banks, however, disagreed with the proposal. There was less support for the notion that the role of lender of last resort be assumed by an existing international organization (like the IMF or the BIS) or even a new institution. Commenting on that, last, one banker wrote, "Heaven forbid!"

STATISTICAL ANALYSIS

PREFACE

The following section provides a statistical analysis of the questionnaire and is designed and presented to allow readers to draw their own conclusions from the material.

In order to carry out the statistical analysis, the 111 banks were distributed according to their size and geographic location. Ranking by size was obtained from *The Banker's* top 500 listing in the November 1981 issue. Respondents were grouped by largest (the top 100 banks), large (101—250), middle size (251-500), and smaller (those outside the 500 listed). There were 39 banks in the first group; 29 in the second; 27 in the third; and 16 in the last. This last group contains banks that do not appear in the top 500 listing, and includes nine consortium banks.

The banks were also grouped according to the geographic location of their headquarters. The three divisions are North America, Europe, and "other". Since the number of banks responding from Latin America, the Middle East and Asia, was in each case small, the "other" group consists of banks from all those regions. The North American group includes 27 banks from the United States and Canada, and two from Mexico. The European group contains 55 banks from the United Kingdom, France, Germany, Switzerland, Italy, Austria, the Netherlands, Belgium, Spain, Portugal, Sweden, Finland, Norway, Denmark, Ireland, and Yugoslavia. The category "other" includes 18 banks from Austria, New Zaland, Japan, Thailand, Hong Kong, the Philippines, India, Kuwait, United Arab Emirates, Iraq, and Brazil.

In questions 17, 19, 31, 32, and 49, bankers were asked to rank their answers on a scale of 0 to 10. Tables relating to these answers have been simpilified to read Very Important (a score of 7—10 on a scale of 1-10), Moderately Important (a score of 4-6), and Not Important (a score of less than 4).

Unless otherwise indicated, response rates were above 95%.

International Lending and Earnings

1. Significant International Activity

Which of the following aspects of international banking business are currently significant activities for your bank? (Please check the lines that apply.)

Activity	All Banks percent	Largest Banks percent
Foreign exchange	90	97
Servicing overseas needs of domestic customers	89	100
Direct lending to multinational companies	78	87
Participation in syndicated Eurocurrency loans	73	82
Lead management of Eurocurrency loans	60	77
Other special services	53	60
Investment banking	45	62
Local currency lending in overseas markets	45	72

2. Levels

Considering your bank's business on a worldwide basis, please indicate in the following chart the *approximate* ratios of (a) international earnings to total earnings and (b) international lending (i.e., loans and commitments where the exposure is outside the bank's home country, regardless of booking location or currency denomination) to total lending. (Check the approximate range that applies):

All Respondents

percent

Present Ratio of:	Less than 10%	10-25%	25-50%	Over 50%
International to total lending	16	34	34	16
International to total earnings	14	38	28	20

Largest Banks

percent

Present Ratio of:	Less than 10%	10-25%	25-50%	Over 50%
International to total lending	5	37	42	16
International to total earnings	8	39	37	16

3. Change in International Lending and Earnings

Over the past five years, how have your bank's international earnings and lending changed *relative to* total earnings and lending?

All Respondents

percent

Change, Past Five Years:	International Lending	International Earnings
Substantial relative increase	49	45
Some relative increase	35	39
No significant change	14	9
Some relative decrease	2	7
Substantial relative decrease	0	0

Largest Banks

percent

Change, Past Five Years:	International Lending	International Earnings
Substantial relative increase	51	45
Some relative increase	41	42
No significant change	8	8
Some relative decrease	0	5
Substantial relative decrease	0	0

4. Expected Changes in International Lending and Earnings

Over the *next* five years, how do you expect your bank's international lending and earnings to change relative to total earnings and lending?

All Respondents

percent

Amount of Change	International Lending	International Earnings
Substantial relative increase	23	23
Some relative increase	57	57
No significant change	19	17
Some relative decrease	1	2
Substantial relative decrease	0	1

Largest Banks

percent

Amount of Change	International Lending	International Earning
Substantial relative increase	26	20
Some relative increase	56	67
No significant change	18	10
Some relative decrease	0	3
Substantial relative decrease	0	0

5. Profitability of International v. Domestic Lending

How would you rate your bank's overall profitability (taking account of write-offs, provision for losses, and costs and income effects of restructured loans) over the last five years in international compared to domestic lending?

Regions Compared
percent

Profitability:	All	North America	Europe	Other	Consortium
Significantly better	20	34	9	28	20
Somewhat better	29	24	26	50	20
Same as domestic	27	21	33	17	40
Somewhat worse	22	21	29	5	20
Significantly worse	2	0	3	0	0

6. View of International Lending Risks

In general, how do you perceive that international lending risks have changed in the last five years?; and how do you expect international lending risks to change over the next five years?

Regions Compared

Perceived Change in Past Five Years

percent

Amount of Change	All	Largest	North America	Europe	Consortium	Other
Substantial increase	26	28	33	21	22	17
Modest increase	63	69	58	58	78	78
No change	10	3	7	21	0	5
Modest decrease	1	0	2	0	0	0
Substantial decrease	0	0	0	0	0	0

Perceived Change in Next Five Years

percent

Amount of Change	All	Largest	North America	Europe	Consortium	Other
Substantial increase	41	39	24	47	56	44
Modest increase	49	56	55	46	33	56
No change	7	5	14	5	11	0
Modest decrease	2	0	7	2	0	0
Substantial decrease	1	0	0	0	0	0

7. Threats Ranked

In which of the following areas, if any, do you envisage possible significant threats to individual banks or to the smooth functioning of the international financial system? (Please rate on a scale of 0 to 10: 0 = no threat; 10 = maximum threat).

a. Risks to Banks

All Respondents

percent

Possible Threat:	Serious	Moderate	Minor
Default by a major country borrower	33	42	25
Sovereign debt repudiation			
Isolated cases	12	33	55
Chain or concerted action	18	24	58
Rescheduling			
Large number	27	48	25
Large amounts	28	56	18
Negotiations breakdown	14	26	50
Unfavorable trend in terms	18	41	41
Mismatching losses in			
Short term maturities	20	40	40
Long term maturities	24	48	28
Currencies	22	34	44
Funding problems due to			
Severe tiering in interbank market	18	49	33
Unavailable interbank funds	20	27	43
Sudden, large deposit shifts	15	46	39
International operational problems			
Clearing mechanisms	5	23	72
Communications	6	15	79
Foreign exchange losses	23	33	34
Losses in precious metals, other commodities	11	33	56
Abrupt government actions or new controls	17	32	51

b. Risks to System

All Respondents

percent

Possible Threat:	Serious	Moderate	Minor
Default by a major country borrower	16	21	53
Sovereign debt repudiation			
Isolated cases	4	23	73
Chain or concerted action	17	21	62
Rescheduling			
Large number	17	40	43
Large amounts	18	40	42
Negotiations breakdown	14	21	65
Unfavorable trend in terms	10	30	60
Mismatching losses in			
Short term maturities	4	18	78
Long term maturities	5	22	73
Currencies	4	22	74
Funding problems due to			
Severe tiering in interbank market	8	28	64
Unavailable interbank funds	13	23	64
Sudden, large deposit shifts	9	29	62
International operational problems			
Clearing mechanisms	5	17	78
Communications	2	13	85
Foreign exchange losses	2	16	81
Losses in precious metals, other commodities	5	10	85
Abrupt government actions or new controls	10	30	60

Comparisons of National Supervision and Requirements

8. How Burdensome?

Do you believe that supervision and regulation of international lending by your government is more or less burdensome, overall, than supervision and regulation of your major competitors from other countries? (Please check the appropriate line):

Regions Compared

percent

	All	North America	Europe	Other
More burdensome	33	50	29	28
Roughly the same	47	36	56	39
Less burdensome	20	14	15	33

9. Advantages and Drawbacks

In what specific respects do you believe that your bank benefits or loses in international lending competition because of regulatory and supervisory differences among countries? (Please indicate whether differences between your home country's requirements and others' in any of the following constitute significant advantages or disadvantages in international lending for your bank):

Regions Compared
percent

Requirement	Advantage			Disadvantage			Mixed		
	North America	Europe	Other	North America	Europe	Other	North America	Europe	Other
Capital requirements	4	17	44	57	53	12	39	30	44
Reserve requirements	7	37	38	37	35	6	56	28	56
Liquidity requirements	19	24	27	11	37	40	70	39	33
Loan size requirements	21	39	31	55	23	50	24	38	19
Country exposure limits	15	57	56	30	9	13	55	34	31
Reporting requirements	11	23	38	35	21	31	54	56	31
Requirements for approval of specific transactions	68	50	25	12	22	50	20	33	25
Restrictions on permissible scope of activities	11	39	25	78	25	44	11	36	31
Foreign exchange restrictions	61	37	19	12	28	12	27	35	69
Credit controls	57	40	20	14	19	27	29	41	53

All Respondents

percent

Requirement	Advantage	Disadvantage	Mixed
Capital requirements	18	46	36
Reserve requirements	30	29	41
Liquidity requirements	23	28	49
Loan size requirements	33	34	33
Country exposure limits	46	14	40
Reporting requirements	24	26	50
Requirements for approval of specific transactions	50	24	26
Restrictions on permissible scope of archives	30	42	28
Foreign exchange restrictions	42	19	39
Credit controls	46	18	36

10. How Important?

Compared to other factors affecting banks' relative competitive advantages in international banking, how important are differences in regulatory requirements among governments?

Regions Compared

percent

	All	North America	Europe	Other
Very important	39	35	41	39
Somewhat important	53	62	50	44
Not important	8	3	9	17

11. Do Regulations Distort?

Do you believe that regulatory advantages enjoyed by certain banks create distortions that tend to impair the ability of banks in general to earn an appropriate return on international lending?

Regions Compared
percent

	All	North America	Europe	Other
Yes	51	59	60	28
No	49	41	40	72

12. Could Some Regulations Be Dropped?

Are there particular supervisory or regulatory requirements that are burdensome on your bank's international operations which, in your opinion, could be modified, reduced or eliminated without seriously affecting prudential objectives?

Regions Compared
percent

	All	North America	Europe	Other
Yes	46	59	42	39
No	54	41	58	61

13. Regulators' Attitudes

Do you believe that your home country supervisory authorities should be more sensitive to the international competitive implications of their actions and requirements on the banks they regulate?

Regions Compared
percent

	All	North America	Europe	Other*
Yes	46	66	36	47
No	54	34	64	53

* 94% response.

14. Recent Changes

Are there specific supervisory or regulatory changes, recently implemented (or proposed), which have significantly affected (or would significantly affect) your bank's competitive position in international lending?

Regions Compared
percent

	All	North America	Europe	Other
Yes	41	48	43	28
No	59	52	57	72

15. Regulation Assessed

In general, do you believe that supervisory and regulatory actions taken by your national authorities provide an effective, constructive influence on your bank's management of international banking risks?

Regions Compared

percent

	All	North America	Europe	Other
Yes	60	68	60	50
No	40	32	40	50

16. More Supervision or Less?

What changes would you like to see in the supervisory and regulatory environment affecting international banking activities?

Regions Compared

*percent**

Changes	All	North America	Europe	Other
More harmonization of requirements	73	83	74	50
Less supervision and regulation	40	38	27	56
Elimination of discriminatory requirements between domestic and international business	28	24	33	13
None of the above	9	10	11	6

* Totals add to more than 100% because some banks responded to several answers.

17. Pressure on Spreads

Which of the following factors do you feel have been most important in exerting pressure on spreads and other loan terms? (Please assign relative weights to the following factors on a scale of 0 to 10, where 0 = no importance and 10 = very great importance):

All Respondents
percent

Factors	Very Important	Moderately Important	Not Important
Supply and demand conditions	78	17	5
Aggressive pricing by lenders seeking to enter new markets	70	25	5
Aggressive pricing by banks enjoying regulatory advantages	40	35	25
Assumption of risks by governments	14	43	43
Perception of low risks in existing or new loans	21	27	52

18. Narrow Spreads

If spreads are widely perceived as "too narrow" what action or event might be required to improve them? Is there a role here for supervisory authorities? (Please comment)

For summary of answers, see text.

19. Profit Factors

In addition to average spreads on loans, which of the following factors are most important determinants of profitability in your international activity? (Please assign relative weights to the following factors on a scale of 0 to 10, where 0 = no importance and 10 = very great importance):

All Respondents

percent

Factors	Very Important	Important	Not Important
Fees paid by borrowers	57	31	12
Aspects of present or prospective business with borrower	47	39	14
Actual cost of funds below LIBOR	24	26	50
Future business opportunities with third parties	12	35	53

Largest Banks

percent

Factors	Very Important	Important	Not Important
Fees paid by borrowers	57	32	11
Aspects of present or prospective business with borrower	50	36	14
Actual cost of funds below LIBOR	24	35	41
Future business opportunities with third parties	11	29	60

20. When Should Authorities Support?

Assuming that supervisors or central banks could distinguish liquidity versus solvency problems threatening a particular bank, do you believe it would be appropriate for national authorities to give support in the event of a liquidity crisis but not a crisis of solvency?

Regions Compared
percent

	All	North America	Europe	Other
Yes	79	82	80	72
No	21	18	20	28

Do you think that it is feasible to make such a distinction in an emergency situation?

Regions Compared
percent

	All	North America	Europe	Other
Yes	41	21	48	41
No	59	79	52	59

21. Safequards

Please indicate your view about each of the following propositions:

- There is a need for clearer understanding about lender of last resort facilities for distressed banks
- Under present arrangements, the international banking system would be vulnerable to a "chain collapse" in the event of a crisis affecting a significant bank or group of banks.
- A jointly organized private international "safety net" arrangement would be an effective device for supporting individual banks in a liquidity crisis.
- There is a need for a supranational organization (e.g., IMF, BIS or a new institution) to assume the role of lender of last resort for the international banking system.

All Respondents

percent

Proposition	Agreement	Disagreement	No Opinion
Clearer understanding of lender of last resort needed	74	19	7
System vulnerable to chain collapse	62	36	2
Safety net arrangement effective device	47	47	6
New supranational organization needed	39	56	5

Cross Border Lending

22. Analyzing Risk

Has your institution increased its resources dedicated to country risk analysis in the past few years?

All Respondents
percent

Yes	No
92	8

If "Yes," what significant changes have been made? (Please check any of the following that apply):

All Respondents

Changes	Percent*
Country risk analysis unit established at headquarters	87
Specialist staff or consultants hired	74
More sophisticated analytical systems adopted	63
Increased data gathering activity	62
Increased visits to borrowing countries	41

* Total exceeds 100% because many respondents reported several changes.

23. Political Pressures

Do you believe that country lending by your nation's banks has been significantly affected by political or other pressures imposed by government authorities?

All Respondents and Largest Banks Compared
percent

	All Respondents	Largest Banks
Yes	24	26
No	76	74

24. The Lenders Trap

Do you believe that some banks in your country have been influenced to extend credit to certain countries beyond levels of normal prudence because of the weight of outstanding loans or commitments?

All Respondents and Largest Banks Compared
percent

	All Respondents	Largest Banks
Yes	26	22
No	74	78

Do you think this might be a matter of some concern in the future? (Please check the line that best represents your view):

All Respondents
percent

Serious concern	8
Concern in isolated cases	54
Not a serious concern	38

25. Supervisors' Attitudes

Please indicate your attitude toward activity by your home country supervisor with regard to the following aspects of country risk management (check the appropriate line in each part):

Regions Compared

percent

Country Risk Analysis

	All	North America	Europe	Other*
Constructive	52	62	52	56
Ineffective	30	28	33	19
Detrimental	0	0	0	0
Not Applicable	18	10	15	25

Monitoring Country Exposure

	All	North America	Europe	Other*
Constructive	51	66	48	56
Ineffective	30	21	37	19
Detrimental	2	3	0	0
Not Applicable	17	10	15	25

Country Exposure Levels

	All	North Amerca	Europe	Other*
Constructive	49	62	46	50
Ineffective	30	17	35	25
Detrimental	2	7	0	0
Not Applicable	19	14	19	25

* 89% response.

26. Should Banks Rely on Others?

Do you believe that it is inappropriate for banks to rely on country risk assessments by others (e.g., syndicate leaders, correspondent banks) in place of an independent analysis of their own?

All Respondents and Smaller Banks Compared

percent

	All Respondents	Smaller Banks
Yes	89	64
No	11	36

27. Monitoring Practices

Do you monitor country lending concentrations across all units of your organization on a worldwide, consolidated basis?

All Respondents*

percent

Yes	No	Not Applicable
87	2	11

* Not applicable to unconsolidated institutions.

28. Setting Credit Limits

Are country exposure limits for credits established and reviewed by your bank on a regular basis?

All Respondents

*percent**

Case by Case	Annually	Quarterly	Other
9	59	20	20

* Total exceeds 100% because some banks use several approaches.

29. Who Sets Limits?

At what level in your organization are country exposure limits established?

All Respondents
*percent**

Board	Senior Committee	International Division	Other
34	40	17	11

* Total exceeds 100% because some banks use several approaches.

30. Maturity Limits

a. Are specific country limits established for the distribution of loans by maturity?

Regions Compared
percent

	All	North America	Europe	Other
Yes	63	68	67	44
No	37	32	33	56

b. Specific country limits established by class of borrower?

All Respondents
percent

	Non-Banks		Banks		Governments		Individuals	
	Yes	No	Yes	No	Yes	No	Yes	No
All Respondents	27	73	43	57	26	74	16	84

31. Factors of Country Risk

In general, which of the following *factors* carry the greatest weight in your own bank's assessments of country risk? (Please assign relative weights to the following factors on a scale of 0 to 10, where 0 = no importance and 10 = very great importance)?

All Respondents, Largest and Smaller Banks Compared

percent

Factors	Very Important			Moderately Important			Not Important		
	All	Largest	Smaller	All	Largest	Smaller	All	Largest	Smaller
Analysis of political and social conditions	83	84	73	16	16	19	1	0	6
Quantitative analysis of economic data	80	77	74	17	23	13	3	0	13
Qualitative judgments of country specialists	64	73	43	27	13	43	9	14	14
Forecasts of key economic variables	51	32	60	39	32	33	10	16	7
Involvement of other banks	15	3	13	35	40	27	50	57	60

32. Sources of Information

Which of the following *sources of information or views* are most important in your bank's approach to country risk assessment? (Please assign relative weights to the following factors on a scale of 0 to 10, where 0 = no importance and 10 = very great importance):

All Respondents
percent

Source of Information	Very Important	Moderately Important	Not Important
Economic and social/political analysis prepared by headquarters staff	76	16	8
Reports by bank staff in or frequently visiting country	55	28	7
Analysis and views from the IMF or other multinational institutions	46	38	16
Overall assessments by other banks	27	43	30
Discussions with clients indigenous to the country	22	42	36
Proprietary reports obtained from consultants	20	33	47

33. Insurance and Cofinancing

Please indicate your views about the following propositions:

- Credit insurance schemes weaken or eliminate the credit evaluation efforts of commercial lenders and thus increase system risk.
- Cofinancing arrangements with official institutions weaken credit evaluation efforts of commercial lenders and thus increase system risk.
- An IMF country credit rating system would weaken or eliminate the credit evaluation efforts of commercial lenders and thus increase system risk.

Regions Compared

*percent**

	All		North America		Europe		Other	
	Agree	Disagree	Agree	Disagree	Agree	Disagree	Agree	Disagree
Credit Insurance Schemes	33	57	21	58	44	50	6	89
Cofinancing Arrangements	16	73	4	86	25	66	11	72
IMF Country Credit Rating	24	66	17	66	34	58	17	83

* Percentages do not total 100% because figures exclude answers of "no opinion."

34. Existing Arrangements Adequate?

If rescheduling of country debt becomes more frequent in the next few years, possibly involving larger amounts than in the past, do you think that existing ad hoc arrangements among banks, governments and multilateral organizations would be adequate to handle the task without disrupting the international financial system?

Sizes Compared
percent

	All	Largest Banks	Midsize Banks	Smaller Banks
Yes	29	20	42	19
No	17	16	17	18
Uncertain	54	64	41	56

35. Any Changes?

As a result of past experience with reschedulings, have any important changes been made in your bank's policies and practices?

All Respondents
percent

Yes	No
36	64

36. Indirect Costs

To what extent do you consider the following indirect costs of debt rescheduling to be significant present or prospective concerns for your bank?

Sizes Compared
*percent**

Costs:	Present Concern				Future Concern				No Concern			
	All	Largest	Midsize	Smaller	All	Largest	Midsize	Smaller	All	Largest	Midsize	Smaller
Management time dedicated to work outs	35	42	39	38	52	52	46	50	18	8	21	25
Opportunity cost of funds locked in portfolio	20	29	21	19	60	60	59	56	24	13	27	31
Reduced present value of loan income	22	22	25	19	52	60	54	50	29	19	29	37
Reduced quality of loan portfolio	27	42	21	19	57	50	64	63	21	10	21	25

* Totals exceed 100% because some banks responded to several answers.

37. Maturity Mismatching

Has the experience of high volatility in interest and exchange rates caused your organization to alter its maturity (gapping) and currency mismatching practices in the Euromarket?

All Respondents
percent

	All	Largest	Midsize	Smaller*
Yes	42	47	43	33
No	58	53	57	67

* 92% response.

38. Funding Operations

Which of the following best describes your bank's approach to managing funding operations of units operating in different markets? (Please check one):

All Respondents
*percent**

Approaches	
All major funding operations controlled closely by headquarters	49
All major funding operations monitored centrally for individual units	41
All major funding operations decentralized to individual units	13
Other methods	3

* Total exceeds 100% because several banks use more than one approach.

39. Monitoring Performance

How do you rate your supervisory authority's performance in monitoring individual bank maturity mismatching?

Regions Compared
percent

Performance	All	North America	Europe	Other
Excellent	7	4	9	11
Good	40	50	38	33
Fair	32	28	35	22
Poor	6	11	5	6
Not applicable	15	7	13	28

40. Smaller Banks

a. Do you believe that a relatively conservative funding approach is appropriate for smaller banks or those not so well known or established in the market as the leading institutions?

Sizes Compared
percent

	Largest	Midsize	Smaller
Yes	100	90	100
No	0	10	0

b. Do you believe that practices of such institutions are in fact different from those of larger banks?

Sizes Compared
percent

	Largest	Midsize	Smaller
Yes	64	64	57
No	36	36	43

41. Deposit Concentration

Does your bank monitor concentrations of deposits by geographic source?

Sizes Compared
percent

	All	Largest	Large	Midsize	Smaller
Yes	62	79	66	38	50
No	38	21	34	62	50

42. Deposits Refused?

Has your bank ever turned away large deposits specifically to avoid geographic concentrations of deposits?

Sizes Compared
percent

	All	Largest Banks	Large Banks	Midsize Banks	Smaller Banks
Yes	25	41	21	15	12
No	75	59	79	85	88

43. Do Supervisors Monitor Deposits?

Does your home country supervisor monitor geographic concentrations of deposits in your bank?

Regions Compared
percent

	All	North America	Europe	Other*
Yes	37	52	35	19
No	63	48	65	81

* 89% response.

Interbank Business

44. Deposits and Redeposits

What proportion of international interbank deposits taken by your bank is normally redeposited with other banks? (Please check the line below indicating the normal range for your bank):

Sizes Compared
percent

Proportion Redeposited	All	Largest	Large	Midsize	Smaller*
Less than 20%	18	8	11	37	21
20-39%	32	33	43	22	29
40-59%	24	33	21	19	14
More than 60%	26	26	25	22	36

* 88% response.

45. Is Trading "Excessive"?

For the system as a whole, or for certain banks, do you believe that the level of interbank funding or trading is in any sense "excessive"? Please comment.

All Respondents
*percent**

yes, for system	no for system	yes for some banks	no view
9	48	31	12

* 68% response.

46. More Risky?

Do you believe that interbank activity is becoming more risky because of change in the composition of participants, i.e., an increasing proportion of interbank borrowing by banks that are relatively higher risks?

Sizes Compared
percent

	All	Largest	Large	Midsize	Smaller*
Yes	56	54	62	58	47
No	44	46	38	42	53

* 94% response.

47. Interbank Limits

Does your bank regularly set overall and daily limits on interbank placements by bank? by country of deposit? by currency of deposit?

Sizes Compared
percent

	All		Largest		Large		Midsize		Small	
Limit	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
By bank	92	8	100	0	93	7	85	15	81	19
By country	82	13	94	6	79	21	83	17	91	9
By currency	43	57	29	71	37	63	28	22	36	64

48. Deposit Rule

With regard to decisions on interbank deposit placements, does your bank follow certain rules of thumb (e.g., place funds only with the largest X banks in the world or in a particular country, or operate with a short, specific list of most highly regarded banks)?

For summary of answers, see text.

49. Grading Banks

In judging credit risk and allocating interbank placements, which of the following are the most important sources of information for decision-makers in your bank? (Please assign relative weights to the following factors on a scale of 0 to 10, where 0 = no importance and 10 = very great importance):

Sizes Compared

percent

Sources of Information	Largest			Midsize			Smaller		
	Very Important	Moderately Important	Not Important	Very Important	Moderately Important	Not Important	Very Important	Moderately Important	Not Important
Financial analysis prepared by own staff	89	11	0	89	4	7	81	13	6
Visits to bank by own staff	66	29	5	63	30	7	60	33	7
Advice from correspondent banks	28	58	14	50	46	4	60	40	0
Views of own money traders	23	53	24	46	39	15	15	62	23
Reports prepared by outside services	11	26	63	8	48	44	0	38	62
Views of clients in banks home country	6	23	71	12	38	50	7	31	62

50. Banks and Their Countries

Does consideration of country risk play a significant role in your bank's decision on interbank placements and credits?

Do you specifically evaluate the willingness and capacity of foreign banks' home government and central bank to support them in case of adversity?

Sizes Compared

percent

	All		Largest		Large		Midsize		Smaller	
Considerations	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Country risk	98	2	100	0	97	3	96	4	100	0
Government support	68	32	76	24	59	41	69	31	62	38

51. What Supervision?

Does your home country supervisory authority monitor your bank's international interbank lending and deposit placement activity?

Regions Compared

percent

	All	North America	Europe	Other*
Yes	64	83	53	65
No	36	17	47	35

* 94% response.

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Group of Thirty

The Group of Thirty was established in December 1978, to explore basic problems in the functioning of the international economic system. It meets twice a year, for two to three days at a time. Between these meetings, study groups and researchers gather material to serve as a basis for the Group's discussions.